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STATE FOR ISN/CB, VCI/CCB, L/ACV, IO/S  
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NSC FOR DICASAGRANDE  
WINPAC FOR WALTER

E.O. 12958: N/A  
TAGS: [PARM](#) [PREL](#) [CWC](#)  
SUBJECT: CHEMICAL WEAPONS CONVENTION (CWC): WRAP-UP FOR  
WEEK ENDING JUNE 9

This is CWC-48-06.

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ARTICLE VII  
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¶1. (U) Facilitator Maarten Lak (Netherlands) hosted a June 8 informal consultation to present the results of the meeting of National Authorities in Mexico City, which focused on national implementation. Lak, Ambassador Arrospide (CSP Chairman, Peru), Legal Advisor Santiago Onate, and Mexican DCM Rafael Cervantes all attended the meeting. Lak reported that attendees were frank in their reporting of their individual situations, including weakness in legislation, staffing issues, lack of knowledge, all of which require tailored approaches to assist the GRULAC states' efforts. Cervantes noted that over 40 officials attended, representing GRULAC states across the region as well as the non-State Party Dominican Republic. National Authorities from Canada, Spain and the U.S. also attended.

¶2. (U) Those states that need assistance reported on their specific needs, and those who could provide assistance made offers of tailored support. Key problems are lack of knowledge in Parliaments, which results in implementation delays, and high turnover in National Authorities staffs. Mexico presented its national cooperation program designed to support implementation efforts in Central American states. Argentina offered to train individuals supporting industry inspections. There were many questions about how National Authorities are supposed to function. In sum, the GRULAC region takes its Article VII obligations very seriously. Onate added that the region's increased efforts are particularly apparent in the arena of drafting legislation.

¶3. (U) The Technical Secretariat then distributed an advance copy of the Status Report (faxed back to ISN/CB). Lak noted that EC-46 work will require substantial discussion of what states should be doing, their successes, problems and particular cQrns. Delegations need to begin making distinctions among the remaining states that have yet to complete their implementation efforts. One or two have yet to respond to TS inquiries, but many are making significant progress. The end is in sight. Further, Lak noted that the EC Chair and Vice Chairs are in a position to talk with

relevant States Parties.

14. (U) Onate then reported on the progress made since the last progress report. On May 10, Jordan submitted responses to the legislative questionnaire, its review of its export controls, and requested a Technical Assistance Visit. On May 18, Burkina Faso's national assembly approved its legislation. Antigua established its National Authority on May 25. Bosnia and Herzegovina submitted its implementing legislation on May 30, which is comprehensive. On May 30, Moldova submitted its implementing legislation, and Macedonia reported that it adopted its legislation. TAVs are being planned for Jordan, Honduras and (jointly with the U.S.) Suriname.

15. (U) Lak then turned to consideration of the way forward, given that EC-46 was less than a month away. Germany began by saying that the only possible way forward was to adopt the EC-45 draft language. Italy agreed that that draft was not bad and that it could support its adoption. Russia said it could be used as a basis for the discussion, but it did not pay sufficient attention to technical assistance and this must be included. The UK, supported by Sweden, also agreed that it could serve as a starting point, but two factors need to be considered: the debate must begin much earlier and the text should better reflect the substance of the Conference decision paragraphs 2-8. Germany, supported by Norway, strongly protested the UK position; EC-46 report language must reflect developments since the CSP and need not follow CSP language. The EC-45 text was fine. Mexico noted practical difficulties with the German approach, saying that report language must reflect a consensus view, not just that of one delegation, and must reflect what happened during the EC meeting.

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GENEVA GROUP MEETING  
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16. (U) At the Geneva Group meeting on June 12, TS budget and finance chief Rick Martin gave an overview of the process for the 2007 program and budget. He announced that the Director General has now asked that the budget be released as an EC document on June 28, 2006. This is several weeks earlier than originally planned. After Martin's presentation, Geneva Group members, who now include the South Korean delegate, discussed the difficulties in finding a budget facilitator. Rick Snelsire (U.S.) also briefed members in progress to date in the Financial Rules Consultations.

17. (U) Martin provided Geneva Group members with a power point presentation on the budget process for the 2007 budget (faxed to ISN/CB on 6/12/06). The presentation was similar to past presentations, but this was largely because the 2007 budget will be similar to the 2006 budget. Martin said the DG was still hoping for a zero nominal growth budget, but at the same time because of cost savings in certain areas, still plans to increase funding for inspector training and a 10% increase in industry inspections. He said that the distribution of Article VI inspections had not yet been finalized, but later told Del rep privately that the 10% increase would be almost exclusively in OCPF inspections. He said the 2007 budget would also make allowances for continued TAVs to support Article VII efforts. (Note: Most of these changes to the 2007 budget were the direct result of private U.S. interventions outlining U.S. budget priorities with the TS earlier in the year. End Note)

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18. (U) On staffing, Martin did not indicate that the TS will be asking for the funding of additional fixed-term positions. He emphasized that BFB had asked all department heads to justify the retention of any temporary positions for which they were seeking funding. Martin also noted that the UN would be releasing a new scale of assessments this year for 2007 and this could impact on SP's contributions. The UN

will also release the results of its price survey for The Hague this year and that could impact on the budget.

¶9. (U) At present, the TS is using an average increase in costs rate of 2.2%. Martin explained that this figure was arrived at by looking at a likely inflation rate of between 1.5% and 2% in the Netherlands combined with an average 5% inflation rate in developing countries. Additionally, the UNGA could increase salaries this year as well and that is at present a significant variable in the budget. On foreign exchange fluctuations, Martin stated that about 10% of the OPCW budget is in USD, mostly for Provident fund contributions, and that currently the TS is planning on using a USD-EUR rate of 79.7 U.S. cents per Euro. The TS will look at exchange rates again shortly before EC-47 and make any necessary adjustments at that point.

¶10. (U) During the question and answer period the German delegation asked that more information be included in the budget, so as to reduce the need for information papers during the budget consultations. The Germans also asked if there would be a specific line item in the budget for the ten year anniversary of the OPCW. Martin said he would take note of the German concern regarding the amount of information in the budget. He also said there would be no specific line item for tenth anniversary commemoration.

¶11. (U) Del rep said we were pleased to hear that there would be an increase in funding for inspector training and industry inspections. Del rep also noted that we were pleased with quality of BFB's documentation and transparency efforts, but cautioned that it was important that the TS not change negotiated core objective language in the 2007 program and budget as had happened last year.

¶12. (U) The UK questioned the 2.2% price increase number being used by the TS. Martin responded that the while the Dutch government was projecting an inflationary rate of 1%,

the IMF projection for the Euro zone, from where many of the TS supplies and services are procured, is 2.25% for 2007.

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Martin also said he believed that a 2% salary increase for staff was likely in the second half of 2007 resulting in an adjusted increase of 1% for the year.

¶13. (U) Italy said that it was concerned about the significant surplus in 2004 and projected for 2005. Martin said he believed that inflated estimates were largely to blame for past surpluses. He noted that the TS was now much more willing to use the WCF and that, combined with more accurate estimates and earlier payments so far this year, would help to reduce surpluses.

¶14. (U) The French said they were pleased with the prospect of another ZNG budget and the improved budget estimates. The French asked if there would be continued refinement of Results Based Budgeting language in the budget and if there would be any provision of the "OPCW Office in Africa" in the 2007 budget. They also asked if the costs for destruction activities could be separated from the cost of non-proliferation activities for delegates' information. Martin said that there would be no changes in the core objectives unless delegates decided to change them. He acknowledged that there was a continued need to refine the indicators in the budget and tighten up the TS efforts to measure its success in meeting those indicators. Martin said there was no provision in the 2007 budget for any type of OPCW presence in Africa. He said that he could breakdown the costs between destruction and non-proliferation to some degree, but that it would be difficult to accurately breakdown salary costs that would limit the accuracy of any numbers he could provide.

¶15. (U) After the discussion, several delegations said they were pleased with the presentation and the increased level of transparency being demonstrated by the TS. The UK and Italy

expressed concern about the 2.2% price increase number being used by the TS but conceded that it would be irrelevant if the TS were able to achieve savings in some areas and present a ZNG budget to SPs.

¶16. (U) On the difficulty of finding a facilitator for the upcoming 2007 budget consultations, several delegations said that it was imperative the facilitator, or at least one of the co-facilitators, should be a Geneva Group member. Unfortunately, none of them volunteered. Del rep said we had asked numerous delegates from WEOG and the Geneva Group and had been unable to identify any delegate willing to serve as facilitator. The UK asked that each Geneva Group member explain why he/she could not serve as the facilitator or co-facilitator. Most said they did not have time. The Germans said after their last "painful" experience as the facilitator for Article VII, they were reluctant to serve again. Both the Germans and the Italians tried to push the Canadian delegate (Peart) to become the facilitator. She pushed back strongly and said she did not have time. In the end there was no decision on how the search for a facilitator should proceed.

¶17. (U) Del rep made a brief presentation on the state of play in the Financial Rules consultations, noting that Iran had now agreed to accept the original amended language concerning procurement with the word "all" before "States Party" deleted. Del rep said that he was still waiting to hear from the Indian delegation. Italy said it was not comfortable with the change but would not block consensus should it emerge. All of the other Geneva Group members had no objections to the amended language on procurement with the deletion of the word "all." Del rep said he would, as facilitator, follow up with the Indian delegation.

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COURTESY CALL BY NEW RUSSIAN MINISTER COUNSELOR  
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¶18. (U) The new Russian Deputy Perm Rep, Minister Counselor Konstantin Gavrillov accompanied by Counselor Victor Smirnovsky, paid a courtesy call on the delegation on June 9.

During this largely informal introductory meeting, the Russians did grudgingly admit that they would probably accept destruction site visits as had been proposed by the UK at EC-45. This despite the fact that Gavrillov repeatedly said that the site visits would merely be "political tourism" in the Russian view. However, the Russians made clear they were not going to provide a blank check concerning site visits and would be very insistent on specific details and arrangements.

¶19. (U) Smirnovsky took the opportunity to ask about the possible timing of presentation of a U.S. decision document text for the extension request, and del rep replied that this is being worked in Washington. Smirnovsky also repeated the Russian, or at least Smirnovsky's, legal view that any extension request to 2012 was required to include a detailed plan showing the complete destruction of all CW by 2012. Finally, the Russians also stressed, in a very self-satisfied manner, that it was now clear many delegations have made a linkage between Article VII and destruction deadlines that will be hard to break.

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FINANCIAL RULES: END GAME IMMINENT  
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¶20. (U) Delegations have now agreed on all of the draft financial rules with the exception of the amended text proposed by India concerning procurement. India's proposed amendment would require that vendors selling inspection equipment to the TS confirm that the piece of equipment being procured by the TS will be commercially available to all SPs. At a meeting with interested parties (India, Iran, Germany, and France) on May 31, the facilitator (Rick Snelsire, U.S.) proposed that as a compromise between accepting the Indian proposed amendment and the Franco-German position that no

references to procurement should be in the financial rules, that delegates consider using previously accepted language from CSP-8 (C-8/DEC.3, dated October 22, 2003).

¶21. (U) Iran originally agreed to accept the CSP-8 language provided that the word "all" before "States Party" was reinserted. Germany and France said that the inclusion of the word "all" would be a non-starter for their delegations. The Iranians then suggested that if the inclusion of the word "all" was problematic for France and Germany, perhaps delegations should consider returning to the original amendment proposed by India in EC-42/DG.5 and remove the word "all" and replace it with the word "the". France and Germany said they could agree to the deletion of "all," but not the addition of "the". India and Iran said they would check with their capitals.

¶22. (U) On June 1, the French and German delegations informed the facilitator that their capitals could accept the Iranian proposal because their capitals believe that the deletion of "all States Party" made the rule unenforceable and therefore not problematic. On June 8, the Iranian delegation informed the facilitator that Teheran had accepted the Iranian delegate's proposal. The Indian delegate informed the facilitator on June 8 that she would push New Delhi for a decision as soon as possible.

¶23. (U) The facilitator previewed the possible compromise deal on procurement language with Geneva Group members on June 9 and all delegations with the exception of Italy found the compromise acceptable. Italy noted that while it had concerns about the compromise language, it would likely not block consensus. The facilitator also checked with budget chief Rick Martin who is providing TS support for the Financial Rules consultations to see if the TS would have any problems with the Iranian-proposed compromise. Martin said that in his view the deletion of the word "all" would make the restriction unenforceable and it would therefore have no impact on TS procurement activities.

¶24. (U) The next round of consultations on financial rules are tentatively scheduled for June 20. Should India accept the compromise proposed by Iran on India's amendment, which appears to be acceptable to all WEOG delegations, the U.S.

would likely find itself isolated if it opposed the compromise. Absent a clear and compelling basis for rejecting the compromise, this could put the U.S. in the difficult position of breaking consensus on a proposed solution that would finally allow the OPCW to adopt financial rules.

¶25. (U) ACTION REQUEST: Del requests permission to join consensus on the Iranian proposed compromise to the Indian amendment to the draft financial rules found in paras. 10.6.03(d), 10.6.05(c), and to remove the brackets found in para. 10.6.06, provided the word "all" is deleted from paras. 10.6.03(d) and 10.6.05(c) where it precedes "States Parties" (sic).

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ARTICLE X  
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¶26. (U) Two issues were discussed in this meeting, the databank and the Canadian non-paper on "policy guidance for APB." Databank: There were two concerns on this, Iran was concerned the line regarding descriptive information related to protective equipment and antidotes would limit the scope of the database. That line will be replaced with a reference to the language already in paragraph 5. China wanted an addition to note the databank will be continually updated. They also referred to their National Authorities preference that the database be available as a link on the external server. Delegations agreed with these items. The UK will revise their paper to reflect these changes and circulate to delegations. There is reason to believe this issue will be resolved soon.



¶27. (U) Canada Non-Paper: Colombia reiterated its concern with the language of this document. Primarily its concern is this will lead to micromanagement of the TS and requiring advance notice of projects to the EC that could lead to politicization. Mexico supported Colombia and was concerned about setting policy guidelines for one branch and not others. Both countries recognized the value in getting more detailed information. Austria is concerned about who is prioritizing programs and what criteria is used. Iran agreed more detail on program and activities is beneficial, and they would also like an analysis of finished projects. They noted that Results Based Budgeting can provide that additional information as well as give delegations and the EC an opportunity to comment on activities. However, Iran is concerned about singling out the Assistance and Protection Branch of ICA for attention on this particular issue. Many delegations took up the Iranian point on RBB, including India, Japan, and France.

¶28. (U) The facilitator (Hans Schramml, Austria) noted some long-term projects are not financed by the budget, but by voluntary contributions. Most delegations want to balance more detailed reporting on projects while avoiding micromanaging the TS. Del rep requested information about outstanding requests for assistance to better determine if resources are effectively allocated. This was well received by delegations, but slapped down by Gennadi Lutay, head of APB, who said that normally all requests are satisfied, but some are done in several stages. The facilitator noted the previous head of APB constantly mentioned postponed projects, but the TS gave the same answer as before. India asked if the TS has the funds to pay for all requests of assistance, and Lutay said this would be discussed in budget meetings.

¶29. (U) At that point John Makhubalo, head of the International Cooperation and Assistance Division, spoke on prioritization, noting that the DG makes the final decision. The TS strives to meet all SPs requests, though they may ask for postponements of up to a year. Makhubalo also made a point to note that they do not make value judgments based on whether a SP can or cannot afford to pay any of the costs associated with a project. Though if a SP can afford to pay, they will ask them to contribute. On detailed reports, Makhubalo will consult with delegations about the level of detail they want, although it will have to be kept in mind

what a requesting SP considers classified information. He noted if they have to go to the EC prior to starting a project, it could considerably delay their work.

¶30. (U) Canada indicated they will talk further to interested delegations on this issue. Del rep will raise with him the issue of adding a list of "postponed" and "future" stages of projects, at the same time the TS presents its more detailed report. The next meeting is on June 30 and will again cover Joint Assistance Exercise 2005.

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INDUSTRY - LATE DECLARATIONS  
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¶31. (U) Facilitator (Larry Denyer, U.S.) met with Brigitta Exterkate (TS, Legal Advisor's Office), Leo Espinoza (TS, Information Processing and Validation), Atsushi Takakuwa (TS, IPV), and Ken Penman (TS, Information Evaluation) regarding the concept paper on "nil" declarations. LAO's opinion is that the "nil" concept is legally sound. Whether it is the best option politically or whether it fully solves the problem of late declarations are other issues that need to be dealt with by the SPs.

¶32. (U) Espinoza expressed concerns over balancing the "nil" concept with the burden reduction thrust of C-7/DEC.14 (10 October 2002). Also, he is not convinced that "nil" declarations is the right solution. His concern is that this would add a large number of SPs to the list of late declarers, allowing those who truly have something

significant to declare to get lost in the "noise." It was suggested that a decision could be taken that would require the TS to amend its current reporting on this topic to: (1) add to the list of SPs that met the current year's deadline those SPs who declared in the previous year but have not done so by the deadline in the current year (with necessary caveats that these may not actually need to declare); and/or (2) include the specific declaration pieces that were submitted on-time, to prevent SPs from getting "on-time credit" by submitting a partial declaration by the deadline and the rest much later.

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CONFIDENTIALITY: LONG-TERM STORAGE OF CLASSIFIED MATERIALS

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¶33. (U) The facilitator (Betsy Sanders, U.S.) held a June 7 informal consultation on the long-term storage of classified materials at the OPCW. TS official Luis Cavalheiro reviewed his 2004 paper for newer delegates. In brief, the TS has no mechanism for disposal of classified materials. Although the TS still has storage space available, it will become a

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problem in the future if it has no mechanism. Cavalheiro presented three possibilities: downgrade (would still have to maintain the materials), declassify (would still have to maintain the materials), and/or destroy.

¶34. (U) Italy noted that the first two options do not improve the situation and recommended that delegations consider destruction and to first focus on Article VI-related materials. Materials related to CW destruction are in a different category and will need to be kept for a long time. Thus, this will need to be considered separately. Article VI efforts are for transparency and record legitimate industry activities. As such, this information should be retained for a relatively short period. Italy asked what percent of classified materials are related to Article VI activities. France added that, in consideration of the time to maintain classified industry-related information, we might consider how long industry patents remain in effect. At that point, materials would be publicly available. Italy noted that Rome keeps industry-related materials for five years before destroying them. The U.S. asked why the TS needed to keep both the original paper declarations and their official electronic copies. Ireland wondered whether the TS could provide a list of types of Art VI-related materials to better inform our debate.

¶35. (U) Delegations agreed that at our next session (in about two weeks), the TS would invite a Verification Division official to inform us about what materials inspections teams generate, and whether the bulk might be destroyed after the final inspection report is agreed between the State Party and the TS.

¶36. (U) Javits sends.  
BLAKEMAN